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9 *and the Proposed Class*

10 **UNITED STATES DISTRICT COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**

12 EMILY FLESSAS, on behalf of herself
13 individually and on behalf of all others
14 similarly situated,

15 Plaintiff,

16 v.

17 PANDA RESTAURANT GROUP,
18 INC.,

19 Defendant.
20

Case No.: _____

CLASS ACTION COMPLAINT

JURY DEMAND

21 Plaintiff Emily Flessas (“Plaintiff”) brings this Class Action Complaint
22 (“Complaint”) against Defendant The Panda Restaurant Group, Inc. (“Defendant”
23 or “Panda”) as an individual and on behalf of all others similarly situated, and
24 alleges, upon personal knowledge as to her own actions and her counsels’
25 investigation, and upon information and belief as to all other matters, as follows:
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NATURE OF THE ACTION

1
2 1. This class action arises out of the recent data breach (“Data Breach”)
3
4 involving Defendant, the "parent company of Panda Inn, Panda Express and
5 Hibachi-San[.]”¹

6 2. Plaintiff brings this Complaint against Defendant for its failure to
7
8 properly secure and safeguard the personally identifiable information that it
9 collected and maintained as part of its regular business practices, including
10 Plaintiff’s and Class Members’ names, dates of birth, financial account numbers,
11 and Social Security numbers, (collectively defined herein as “PII”).
12

13 3. Upon information and belief, current and former Panda employees are
14 required to entrust Defendant with sensitive, non-public PII, without which
15 Defendant could not perform its regular business activities, in order to obtain
16 employment or certain employment benefits at Defendant. Defendant retains this
17 information for at least many years and even after the employee-employer
18 relationship has ended.
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21 4. By obtaining, collecting, using, and deriving a benefit from the PII of
22 Plaintiff and Class Members, Defendant assumed legal and equitable duties to those
23 individuals to protect and safeguard that information from unauthorized access and
24 intrusion.
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27 ¹ <https://www.pandarg.com/about-us.html>
28

1 5. Defendant failed to adequately protect Plaintiff's and Class Members
2 PII—and failed to even encrypt or redact this highly sensitive information. This
3 unencrypted, unredacted PII was compromised due to Defendant's negligent and/or
4 careless acts and omissions and its utter failure to protect employees' sensitive data.
5 Hackers targeted and obtained Plaintiff's and Class Members' PII because of its
6 value in exploiting and stealing the identities of Plaintiff and Class Members. The
7 present and continuing risk of identity theft and fraud to victims of the Data Breach
8 will remain for their respective lifetimes.
9
10

11 6. In breaching its duties to properly safeguard employees' PII and give
12 employees timely, adequate notice of the Data Breach's occurrence, Defendant's
13 conduct amounts to negligence and/or recklessness and violates federal and state
14 statutes.
15
16

17 7. Plaintiff brings this action on behalf of all persons whose PII was
18 compromised as a result of Defendant's failure to: (i) adequately protect the PII of
19 Plaintiff and Class Members; (ii) warn Plaintiff and Class Members of Defendant's
20 inadequate information security practices; and (iii) effectively secure hardware
21 containing protected PII using reasonable and effective security procedures free of
22 vulnerabilities and incidents. Defendant's conduct amounts at least to negligence
23 and violates federal and state statutes.
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1 8. Defendant disregarded the rights of Plaintiff and Class Members by
2 intentionally, willfully, recklessly, or negligently failing to implement and maintain
3 adequate and reasonable measures to ensure that the PII of Plaintiff and Class
4 Members was safeguarded, failing to take available steps to prevent an unauthorized
5 disclosure of data, and failing to follow applicable, required, and appropriate
6 protocols, policies, and procedures regarding the encryption of data, even for internal
7 use. As a result, the PII of Plaintiff and Class Members was compromised through
8 disclosure to an unknown and unauthorized third party. Plaintiff and Class Members
9 have a continuing interest in ensuring that their information is and remains safe, and
10 they should be entitled to injunctive and other equitable relief.
11

12 9. Plaintiff and Class Members have suffered injury as a result of
13 Defendant's conduct. These injuries include: (i) invasion of privacy; (ii) theft of their
14 PII; (iii) lost or diminished value of PII; (iv) lost time and opportunity costs
15 associated with attempting to mitigate the actual consequences of the Data Breach;
16 (v) loss of benefit of the bargain; (vi) lost opportunity costs associated with
17 attempting to mitigate the actual consequences of the Data Breach; (vii) actual
18 misuse of the compromised data consisting of an increase in spam calls, texts, and/or
19 emails; (viii) nominal damages; and (ix) the continued and certainly increased risk
20 to their PII, which: (a) remains unencrypted and available for unauthorized third
21 parties to access and abuse; and (b) remains backed up in Defendant's possession
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1 and is subject to further unauthorized disclosures so long as Defendant fails to
2 undertake appropriate and adequate measures to protect the PII.

3
4 10. Plaintiff seeks to remedy these harms and prevent any future data
5 compromise on behalf of herself and all similarly situated persons whose personal
6 data was compromised and stolen as a result of the Data Breach and who remain at
7 risk due to Defendant's inadequate data security practices.
8

9 **PARTIES**

10 11. Plaintiff Emily Flessas is a natural resident and citizen of Milwaukee,
11 Wisconsin.
12

13 12. Defendant is a corporation organized under the state laws of California.
14 with its principal place of business located in Rosemead, California.
15

16 **JURISDICTION AND VENUE**

17 13. This Court has subject matter jurisdiction over this action under 28
18 U.S.C. § 1332(d) because this is a class action wherein the amount in controversy
19 exceeds the sum or value of \$5,000,000, exclusive of interest and costs, there are
20 more than 100 members in the proposed class, and at least one member of the class,
21 including Plaintiff, is a citizen of a state different from Defendant.
22
23

24 14. This Court has personal jurisdiction over Defendant because its
25 principal place of business is in this District, regularly conducts business in
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1 Pennsylvania, and the acts and omissions giving rise to Plaintiff's claims occurred in
2 and emanated from this District.

3
4 15. Venue is proper under 18 U.S.C § 1391(b)(1) because Defendant's
5 principal place of business is in this District.

6
7 **FACTUAL ALLEGATIONS**

8 ***Background of Defendant.***

9 16. Defendant is Defendant is the "parent company of Panda Inn, Panda
10 Express and Hibachi-San[.]"²

11
12 17. Plaintiff and Class Members are current and former employees of
13 Defendant.

14 18. In order to apply to be an employee or obtain certain employment-
15 related benefits at Defendant, Plaintiff and Class Members were required to provide
16 sensitive and confidential PII, including their names, dates of birth, financial account
17 numbers, and Social Security numbers.

18
19 19. The information held by Defendant in its computer systems at the time
20 of the Data Breach included the unencrypted PII of Plaintiff and Class Members.

21
22 20. Upon information and belief, Defendant made promises and
23 representations to its employees, including Plaintiff and Class Members, that the PII
24 collected from them as a condition of their employment would be kept safe,
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² <https://www.pandarg.com/about-us.html>

1 confidential, that the privacy of that information would be maintained, and that
2 Defendant would delete any sensitive information after it was no longer required to
3 maintain it.
4

5 21. Indeed, Defendant provides on its website that: “[p]rotecting your
6 personal information is important to us. We maintain administrative, technical, and
7 physical safeguards designed to help protect against unauthorized use, disclosure,
8 alteration, or destruction of the personal information we collect on our websites.”³
9

10 22. Plaintiff and Class Members provided their PII to Defendant with the
11 reasonable expectation and on the mutual understanding that Defendant would
12 comply with its obligations to keep such information confidential and secure from
13 unauthorized access.
14

15 23. Plaintiff and Class Members have taken reasonable steps to maintain
16 the confidentiality of their PII. Plaintiff and Class Members relied on the
17 sophistication of Defendant to keep their PII confidential and securely maintained,
18 to use this information for necessary purposes only, and to make only authorized
19 disclosures of this information. Plaintiff and Class Members value the
20 confidentiality of their PII and demand security to safeguard their PII.
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27 ³ <https://www.pandarg.com/privacy-policy.html>
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1 24. Defendant had a duty to adopt reasonable measures to protect the PII of
2 Plaintiff and Class Members from involuntary disclosure to third parties. Defendant
3 has a legal duty to keep its employees' PII safe and confidential.
4

5 25. Defendant had obligations created by FTC Act, contract, industry
6 standards, and representations made to Plaintiff and Class Members, to keep their
7 PII confidential and to protect it from unauthorized access and disclosure.
8

9 26. Defendant derived a substantial economic benefit from collecting
10 Plaintiff's and Class Members' PII. Without the required submission of PII,
11 Defendant could not perform the services it provides.
12

13 27. By obtaining, collecting, using, and deriving a benefit from Plaintiff's
14 and Class Members' PII, Defendant assumed legal and equitable duties and knew or
15 should have known that it was responsible for protecting Plaintiff's and Class
16 Members' PII from disclosure.
17

18 ***The Data Breach.***
19

20 28. On or about April 29, 2024, Defendant began sending Plaintiff and
21 other victims of the Data Breach a Notice of Data Incident letter (the "Notice
22 Letter"), informing them that:
23

24 **WHAT HAPPENED?**

25 On March 10, 2024, Panda detected a data security incident that impacted
26 certain corporate systems. The incident did not impact our in-store systems,
27 operations or guest experience. Upon detecting this incident, we took
28 immediate action to secure our environment, activated our remediation and

1 recovery efforts, and launched a thorough investigation in partnership with
2 third-party cybersecurity specialists to determine the nature and scope of the
3 incident. We also worked with law enforcement.

4 After a thorough investigation, we determined that certain information
5 maintained on our corporate systems was accessed by the unauthorized actor
6 between March 7-11, 2024. With the support of third-party experts, we then
7 began a thorough review of the data affected to identify the specific
8 information and individuals impacted. On April 15, we concluded our review
9 of impacted data and determined that your personal information was involved.

10 **WHAT INFORMATION WAS INVOLVED?**

11 The types of information involved include your first and last name, in
12 combination with your SSN, Date Of Birth, Financial Account Number.⁴

13 29. Omitted from the Notice Letter were the identity of the cybercriminals
14 who perpetrated this Data Breach, the details of the root cause of the Data Breach,
15 the vulnerabilities exploited, and the remedial measures undertaken to ensure such a
16 breach does not occur again. To date, these critical facts have not been explained or
17 clarified to Plaintiff and Class Members, who retain a vested interest in ensuring that
18 their PII remains protected.

19 30. This “disclosure” amounts to no real disclosure at all, as it fails to
20 inform, with any degree of specificity, Plaintiff and Class Members of the Data
21 Breach’s critical facts. Without these details, Plaintiff’s and Class Members’ ability
22 to mitigate the harms resulting from the Data Breach is severely diminished.
23
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26 ⁴ The “Notice Letter”. A sample copy is available at
27 <https://apps.web.maine.gov/online/aeviewer/ME/40/7ca9584e-dc2d-4fae-b48b-1580700e1afc.shtml>
28

1 31. Despite Defendant's intentional opacity about the root cause of this
2 incident, several facts may be gleaned from the Notice Letter, including: a) that this
3 Data Breach was the work of cybercriminals; b) that the cybercriminals first
4 infiltrated Defendant's networks and systems, and downloaded data from the
5 networks and systems (aka exfiltrated data, or in layperson's terms "stole" data; and
6 c) that once inside Defendant's networks and systems, the cybercriminals targeted
7 information including Plaintiff's and Class Members' Social Security numbers for
8 download and theft.
9
10

11 32. Moreover, in its Notice Letter, Defendant failed to specify whether it
12 undertook any efforts to contact the Class Members whose data was accessed and
13 acquired in the Data Breach to inquire whether any of the Class Members suffered
14 misuse of their data, whether Class Members should report their misuse to
15 Defendant, and whether Defendant set up any mechanism for Class Members to
16 report any misuse of their data.
17
18

19 33. Defendant did not use reasonable security procedures and practices
20 appropriate to the nature of the sensitive information they were maintaining for
21 Plaintiff and Class Members, causing the exposure of PII, such as encrypting the
22 information or deleting it when it is no longer needed.
23
24

25 34. The attacker targeted, accessed, and acquired files in Defendant's
26 computer systems containing unencrypted PII of Plaintiff and Class Members,
27
28

1 including their names and Social Security numbers. Plaintiff's and Class Members'
2 PII was accessed and stolen in the Data Breach.

3
4 35. Plaintiff further believes that her PII and that of Class Members, was
5 subsequently sold on the dark web following the Data Breach, as that is the *modus*
6 *operandi* of cybercriminals that commit cyber-attacks of this type.

7
8 ***Data Breaches Are Preventable.***

9 36. Defendant could have prevented this Data Breach by, among other
10 things, properly encrypting or otherwise protecting their equipment and computer
11 files containing PII.

12
13 37. As explained by the Federal Bureau of Investigation, "[p]revention is
14 the most effective defense against ransomware and it is critical to take precautions
15 for protection."⁵

16
17 38. To prevent and detect cyber-attacks, Defendant could and should have
18 implemented, as recommended by the United States Government, the following
19 measures:
20

- 21
- 22 • Implement an awareness and training program. Because end users are
23 targets, employees and individuals should be aware of the threat of
ransomware and how it is delivered.
 - 24 • Enable strong spam filters to prevent phishing emails from reaching the end
25 users and authenticate inbound email using technologies like Sender Policy
Framework (SPF), Domain Message Authentication Reporting and

26
27 ⁵ How to Protect Your Networks from RANSOMWARE, at 3, *available at*:
28 <https://www.fbi.gov/file-repository/ransomware-prevention-and-response-for-cisos.pdf/view>

1 Conformance (DMARC), and DomainKeys Identified Mail (DKIM) to
2 prevent email spoofing.

- 3 ● Scan all incoming and outgoing emails to detect threats and filter
4 executable files from reaching end users.
- 5 ● Configure firewalls to block access to known malicious IP addresses.
- 6 ● Patch operating systems, software, and firmware on devices. Consider
7 using a centralized patch management system.
- 8 ● Set anti-virus and anti-malware programs to conduct regular scans
9 automatically.
- 10 ● Manage the use of privileged accounts based on the principle of least
11 privilege: no users should be assigned administrative access unless
12 absolutely needed; and those with a need for administrator accounts should
13 only use them when necessary.
- 14 ● Configure access controls—including file, directory, and network share
15 permissions—with least privilege in mind. If a user only needs to read
16 specific files, the user should not have write access to those files,
17 directories, or shares.
- 18 ● Disable macro scripts from office files transmitted via email. Consider
19 using Office Viewer software to open Microsoft Office files transmitted via
20 email instead of full office suite applications.
- 21 ● Implement Software Restriction Policies (SRP) or other controls to prevent
22 programs from executing from common ransomware locations, such as
23 temporary folders supporting popular Internet browsers or
24 compression/decompression programs, including the
25 AppData/LocalAppData folder.
- 26 ● Consider disabling Remote Desktop protocol (RDP) if it is not being used.
- 27 ● Use application whitelisting, which only allows systems to execute
28 programs known and permitted by security policy.
- Execute operating system environments or specific programs in a
virtualized environment.

- Categorize data based on organizational value and implement physical and logical separation of networks and data for different organizational units.⁶

39. To prevent and detect cyber-attacks or ransomware attacks, Defendant could and should have implemented, as recommended by the Microsoft Threat Protection Intelligence Team, the following measures:

Secure internet-facing assets

- Apply latest security updates
- Use threat and vulnerability management
- Perform regular audit; remove privileged credentials;

Thoroughly investigate and remediate alerts

- Prioritize and treat commodity malware infections as potential full compromise;

Include IT Pros in security discussions

- Ensure collaboration among [security operations], [security admins], and [information technology] admins to configure servers and other endpoints securely;

Build credential hygiene

- Use [multifactor authentication] or [network level authentication] and use strong, randomized, just-in-time local admin passwords;

Apply principle of least-privilege

- Monitor for adversarial activities
- Hunt for brute force attempts
- Monitor for cleanup of Event Logs
- Analyze logon events;

⁶ *Id.* at 3-4.

1 **Harden infrastructure**

- 2 - Use Windows Defender Firewall
3 - Enable tamper protection
4 - Enable cloud-delivered protection
5 - Turn on attack surface reduction rules and [Antimalware Scan Interface] for Office [Visual Basic for Applications].⁷

6 40. Given that Defendant were storing the sensitive PII of its current and
7
8 former employees, Defendant could and should have implemented all of the above
9 measures to prevent and detect cyberattacks.

10 41. The occurrence of the Data Breach indicates that Defendant failed to
11
12 adequately implement one or more of the above measures to prevent cyberattacks,
13 resulting in the Data Breach and the exposure of the PII of, upon information and
14 belief, thousands to tens of thousands of employees, including that of Plaintiff and
15 Class Members.
16

17 ***Defendant Acquires, Collects, and Stores Its Employees' PII***

18 42. As a condition of employment with Defendant or to receive certain
19
20 employee benefits, Plaintiff and Class Members were required to give their sensitive
21 and confidential PII to Defendant.
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26 ⁷ See Human-operated ransomware attacks: A preventable disaster (Mar 5, 2020), *available at*:
27 <https://www.microsoft.com/security/blog/2020/03/05/human-operated-ransomware-attacks-a-preventable-disaster/> (last visited Nov. 11, 2021).
28

1 43. Defendant retains and stores this information and derives a substantial
2 economic benefit from the PII that it collects. But for the collection of Plaintiff's and
3 Class Members' PII, Defendant would be unable to perform its services.

4
5 44. By obtaining, collecting, and storing the PII of Plaintiff and Class
6 Members, Defendant assumed legal and equitable duties and knew or should have
7 known that they were responsible for protecting the PII from disclosure.

8
9 45. Plaintiff and Class Members have taken reasonable steps to maintain
10 the confidentiality of their PII and relied on Defendant to keep their PII confidential
11 and maintained securely, to use this information for business purposes only, and to
12 make only authorized disclosures of this information.

13
14 46. Defendant could have prevented this Data Breach by properly securing
15 and encrypting the files and file servers containing the PII of Plaintiff and Class
16 Members.

17
18 ***Defendant Knew or Should Have Known of the Risk Because Employers in***
19 ***Possession of PII are Particularly Susceptible to Cyber Attacks.***

20
21 47. Data thieves regularly target companies like Defendant's due to the
22 highly sensitive information that they custody. Defendant knew and understood that
23 unprotected PII is valuable and highly sought after by criminal parties who seek to
24 illegally monetize that PII through unauthorized access.

25
26 48. Defendant's data security obligations were particularly important given
27 the substantial increase in cyber-attacks and/or data breaches targeting entities that
28

1 collect and store PII and other sensitive information, like Defendant, preceding the
2 date of the breach.

3
4 49. According to the *2023 Annual Data Breach Report*, the number of data
5 compromises in 2023 (3,205) increased by 78 percentage points compared to 2022
6 (1,801).⁸ The ITRC set a new record for the number of data compromises tracked in
7
8 a year, up 72 percentage points from the previous all-time high in 2021 (1,860).⁹

9 50. In light of recent high profile data breaches at other industry leading
10 companies, including T-Mobile, USA (37 million records, February-March 2023),
11
12 23andMe, Inc. (20 million records, October 2023), Wilton Reassurance Company
13 (1.4 million records, June 2023), NCB Management Services, Inc. (1 million
14 records, February 2023), Defendant knew or should have known that the PII that it
15 collected and maintained would be targeted by cybercriminals.
16

17 51. Additionally, as companies became more dependent on computer
18 systems to run their business,¹⁰ *e.g.*, working remotely as a result of the Covid-19
19 pandemic, and the Internet of Things (“IoT”), the danger posed by cybercriminals is
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25 ⁸ <https://www.idtheftcenter.org/publication/2023-data-breach-report/>

26 ⁹ *Id.*

27 ¹⁰ <https://www.federalreserve.gov/econres/notes/feds-notes/implications-of-cyber-risk-for-financial-stability-20220512.html>

1 magnified, thereby highlighting the need for adequate administrative, physical, and
2 technical safeguards.¹¹

3
4 52. As a custodian of PII, Defendant knew, or should have known, the
5 importance of safeguarding the PII entrusted to it by Plaintiff and Class members,
6 and of the foreseeable consequences if its data security systems were breached,
7 including the significant costs imposed on Plaintiff and Class Members as a result
8 of a breach.
9

10 53. Despite the prevalence of public announcements of data breach and
11 data security compromises, Defendant failed to take appropriate steps to protect the
12 PII of Plaintiff and Class Members from being compromised.
13

14 54. At all relevant times, Defendant knew, or reasonably should have
15 known, of the importance of safeguarding the PII of Plaintiff and Class Members
16 and of the foreseeable consequences that would occur if Defendant's data security
17 system was breached, including, specifically, the significant costs that would be
18 imposed on Plaintiff and Class Members as a result of a breach.
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21 55. Defendant was, or should have been, fully aware of the unique type and
22 the significant volume of data on Defendant's server(s), amounting to, upon
23 information and belief thousands to tens of thousands of individuals' detailed, PII,
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27 ¹¹ [https://www.picussecurity.com/key-threats-and-cyber-risks-facing-financial-services-and-](https://www.picussecurity.com/key-threats-and-cyber-risks-facing-financial-services-and-banking-firms-in-2022)
28 [banking-firms-in-2022](https://www.picussecurity.com/key-threats-and-cyber-risks-facing-financial-services-and-banking-firms-in-2022)

1 and, thus, the significant number of individuals who would be harmed by the
2 exposure of the unencrypted data.

3
4 56. In the Notice Letter, Defendant makes an offer of 12 months of identity
5 monitoring services. This is wholly inadequate to compensate Plaintiff and Class
6 Members as it fails to provide for the fact victims of data breaches and other
7 unauthorized disclosures commonly face multiple years of ongoing identity theft,
8 financial fraud, and it entirely fails to provide sufficient compensation for the
9 unauthorized release and disclosure of Plaintiff and Class Members' PII. Moreover,
10 once this service expires, Plaintiff and Class Members will be forced to pay out of
11 pocket for necessary identity monitoring services.
12
13

14 57. Defendant's offering of credit and identity monitoring establishes that
15 Plaintiff and Class Members' sensitive PII *was* in fact affected, accessed,
16 compromised, and exfiltrated from Defendant's computer systems.
17

18 58. The injuries to Plaintiff and Class Members were directly and
19 proximately caused by Defendant's failure to implement or maintain adequate data
20 security measures for the PII of Plaintiff and Class Members.
21

22 59. The ramifications of Defendant's failure to keep secure the PII of
23 Plaintiff and Class Members are long lasting and severe. Once PII is stolen—
24 particularly Social Security numbers—fraudulent use of that information and
25 damage to victims may continue for years.
26
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28

1 60. As an employer in possession of its employees’ and former employees’
2 PII, Defendant knew, or should have known, the importance of safeguarding the PII
3 entrusted to them by Plaintiff and Class Members and of the foreseeable
4 consequences if its data security systems were breached. This includes the
5 significant costs imposed on Plaintiff and Class Members as a result of a breach.
6 Nevertheless, Defendant failed to take adequate cybersecurity measures to prevent
7 the Data Breach.
8

9
10 ***Value of Personally Identifying Information.***
11

12 61. The Federal Trade Commission (“FTC”) defines identity theft as “a
13 fraud committed or attempted using the identifying information of another person
14 without authority.”¹² The FTC describes “identifying information” as “any name or
15 number that may be used, alone or in conjunction with any other information, to
16 identify a specific person,” including, among other things, “[n]ame, Social Security
17 number, date of birth, official State or government issued driver’s license or
18 identification number, alien registration number, government passport number,
19 employer or taxpayer identification number.”¹³
20
21

22 62. The PII of individuals remains of high value to criminals, as evidenced
23 by the prices they will pay through the dark web. Numerous sources cite dark web
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27 ¹² 17 C.F.R. § 248.201 (2013).

28 ¹³ *Id.*

1 pricing for stolen identity credentials.¹⁴ For example, Personal Information can be
2 sold at a price ranging from \$40 to \$200.¹⁵ Criminals can also purchase access to
3 entire company data breaches from \$900 to \$4,500.¹⁶
4

5 63. Moreover, Social Security numbers are among the worst kind of PII to
6 have stolen because they may be put to a variety of fraudulent uses and are difficult
7 for an individual to change.
8

9 64. According to the Social Security Administration, each time an
10 individual's Social Security number is compromised, "the potential for a thief to
11 illegitimately gain access to bank accounts, credit cards, driving records, tax and
12 employment histories and other private information increases." ¹⁷ Moreover,
13 "[b]ecause many organizations still use SSNs as the primary identifier, exposure to
14 identity theft and fraud remains."¹⁸
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21 ¹⁴ *Your personal data is for sale on the dark web. Here's how much it costs*, Digital Trends, Oct.
22 16, 2019, available at: <https://www.digitaltrends.com/computing/personal-data-sold-on-the-dark-web-how-much-it-costs/> (last visited Oct. 17, 2022).

23 ¹⁵ *Here's How Much Your Personal Information Is Selling for on the Dark Web*, Experian, Dec. 6,
24 2017, available at: <https://www.experian.com/blogs/ask-experian/heres-how-much-your-personal-information-is-selling-for-on-the-dark-web/> (last visited Oct. 17, 2022).

25 ¹⁶ *In the Dark*, VPNOverview, 2019, available at: <https://vpnoverview.com/privacy/anonymous-browsing/in-the-dark/> (last visited Oct. 21, 2022).

26 ¹⁷ See
27 <https://www.ssa.gov/phila/ProtectingSSNs.htm#:~:text=An%20organization's%20collection%20and%20use,and%20other%20private%20information%20increases.>

28 ¹⁸ *Id.*

1 65. The Social Security Administration stresses that the loss of an
2 individual's Social Security number, as experienced by Plaintiff and some Class
3 Members, can lead to identity theft and extensive financial fraud:
4

5 A dishonest person who has your Social Security number can use it to get
6 other personal information about you. Identity thieves can use your number
7 and your good credit to apply for more credit in your name. Then, they use
8 the credit cards and don't pay the bills, it damages your credit. You may not
9 find out that someone is using your number until you're turned down for
10 credit, or you begin to get calls from unknown creditors demanding payment
for items you never bought. Someone illegally using your Social Security
number and assuming your identity can cause a lot of problems.¹⁹

11 66. In fact, "[a] stolen Social Security number is one of the leading causes
12 of identity theft and can threaten your financial health."²⁰ "Someone who has your
13 SSN can use it to impersonate you, obtain credit and open bank accounts, apply for
14 jobs, steal your tax refunds, get medical treatment, and steal your government
15 benefits."²¹
16

17 67. What's more, it is no easy task to change or cancel a stolen Social
18 Security number. An individual cannot obtain a new Social Security number without
19 significant paperwork and evidence of actual misuse. In other words, preventive
20 action to defend against the possibility of misuse of a Social Security number is not
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24 ¹⁹ Social Security Administration, *Identity Theft and Your Social Security Number*, available at:
25 <https://www.ssa.gov/pubs/EN-05-10064.pdf>

26 ²⁰ See <https://www.equifax.com/personal/education/identity-theft/articles/-/learn/social-security-number-identity-theft/>

27 ²¹ See <https://www.investopedia.com/terms/s/ssn.asp>
28

1 permitted; an individual must show evidence of actual, ongoing fraud activity to
2 obtain a new number.

3
4 68. Even then, a new Social Security number may not be effective.
5 According to Julie Ferguson of the Identity Theft Resource Center, “[t]he credit
6 bureaus and banks are able to link the new number very quickly to the old number,
7 so all of that old bad information is quickly inherited into the new Social Security
8 number.”²²
9

10 69. For these reasons, some courts have referred to Social Security numbers
11 as the “gold standard” for identity theft. *Portier v. NEO Tech. Sols.*, No. 3:17-CV-
12 30111, 2019 WL 7946103, at *12 (D. Mass. Dec. 31, 2019) (“Because Social
13 Security numbers are the gold standard for identity theft, their theft is significant . .
14 . . Access to Social Security numbers causes long-lasting jeopardy because the Social
15 Security Administration does not normally replace Social Security numbers.”),
16 report and recommendation adopted, No. 3:17-CV-30111, 2020 WL 877035 (D.
17 Mass. Jan. 30, 2020); *see also McFarlane v. Altice USA, Inc.*, 2021 WL 860584, at
18 *4 (citations omitted) (S.D.N.Y. Mar. 8, 2021) (the court noted that Plaintiff’s Social
19 Security numbers are: arguably “the most dangerous type of personal information in
20 the hands of identity thieves” because it is immutable and can be used to
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25

26 ²² Bryan Naylor, *Victims of Social Security Number Theft Find It’s Hard to Bounce Back*, NPR
27 (Feb. 9, 2015), *available at*: <http://www.npr.org/2015/02/09/384875839/data-stolen-by-anthem-s-hackers-has-millionsworrying-about-identity-theft>
28

1 “impersonat[e] [the victim] to get medical services, government benefits, ... tax
2 refunds, [and] employment.” . . . Unlike a credit card number, which can be changed
3 to eliminate the risk of harm following a data breach, “[a] social security number
4 derives its value in that it is immutable,” and when it is stolen it can “forever be
5 wielded to identify [the victim] and target her in fraudulent schemes and identity
6 theft attacks.”)

7
8
9 70. Similarly, the California state government warns consumers that:
10 “[o]riginally, your Social Security number (SSN) was a way for the government to
11 track your earnings and pay you retirement benefits. But over the years, it has
12 become much more than that. It is the key to a lot of your personal information. With
13 your name and SSN, an identity thief could open new credit and bank accounts, rent
14 an apartment, or even get a job.”²³

15
16
17 71. Based on the foregoing, the information compromised in the Data
18 Breach is significantly more valuable than the loss of, for example, credit card
19 information in a data breach because, there, victims can cancel or close credit and
20 debit card accounts. The information compromised in this Data Breach is impossible
21 to “close” and difficult, if not impossible, to change—Social Security number, date
22 of birth, and name.
23
24

25
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27

²³ See <https://oag.ca.gov/idtheft/facts/your-ssn>
28

1 72. This data demands a much higher price on the black market. Martin
2 Walter, senior director at cybersecurity firm RedSeal, explained, “Compared to
3 credit card information, personally identifiable information and Social Security
4 numbers are worth more than 10x on the black market.”²⁴

6 73. Among other forms of fraud, identity thieves may obtain driver’s
7 licenses, government benefits, medical services, and housing or even give false
8 information to police.

10 74. The fraudulent activity resulting from the Data Breach may not come
11 to light for years. There may be a time lag between when harm occurs versus when
12 it is discovered, and also between when PII is stolen and when it is used. According
13 to the U.S. Government Accountability Office (“GAO”), which conducted a study
14 regarding data breaches:
15

17 [L]aw enforcement officials told us that in some cases, stolen data may be
18 held for up to a year or more before being used to commit identity theft.
19 Further, once stolen data have been sold or posted on the Web, fraudulent use
20 of that information may continue for years. As a result, studies that attempt to
21 measure the harm resulting from data breaches cannot necessarily rule out all
22 future harm.²⁵

24 ²⁴ Tim Greene, *Anthem Hack: Personal Data Stolen Sells for 10x Price of Stolen Credit Card*
25 *Numbers*, IT World, (Feb. 6, 2015), available at:
26 <https://www.networkworld.com/article/2880366/anthem-hack-personal-data-stolen-sells-for-10x-price-of-stolen-credit-card-numbers.html> (last visited Oct. 17, 2022).

27 ²⁵ *Report to Congressional Requesters*, GAO, at 29 (June 2007), available at:
28 <https://www.gao.gov/assets/gao-07-737.pdf> (last visited Oct. 17, 2022).

1 75. Plaintiff and Class Members now face years of constant surveillance of
2 their financial and personal records, monitoring, and loss of rights. The Class is
3 incurring and will continue to incur such damages in addition to any fraudulent use
4 of their PII.
5

6 ***Defendant Fails to Comply with FTC Guidelines.***
7

8 76. The Federal Trade Commission (“FTC”) has promulgated numerous
9 guides for businesses which highlight the importance of implementing reasonable
10 data security practices. According to the FTC, the need for data security should be
11 factored into all business decision-making.
12

13 77. In 2016, the FTC updated its publication, Protecting Personal
14 Information: A Guide for Business, which established cyber-security guidelines for
15 businesses. These guidelines note that businesses should protect the personal
16 employee information that they keep; properly dispose of personal information that
17 is no longer needed; encrypt information stored on computer networks; understand
18 their network’s vulnerabilities; and implement policies to correct any security
19 problems.²⁶
20
21

22 78. The guidelines also recommend that businesses use an intrusion
23 detection system to expose a breach as soon as it occurs; monitor all incoming traffic
24
25

26 ²⁶ *Protecting Personal Information: A Guide for Business*, Federal Trade Commission (2016).
27 Available at [https://www.ftc.gov/system/files/documents/plain-language/pdf-0136_proteting-](https://www.ftc.gov/system/files/documents/plain-language/pdf-0136_proteting-personal-information.pdf)
28 [personal-information.pdf](https://www.ftc.gov/system/files/documents/plain-language/pdf-0136_proteting-personal-information.pdf) (last visited Oct. 17, 2022).

1 for activity indicating someone is attempting to hack the system; watch for large
2 amounts of data being transmitted from the system; and have a response plan ready
3 in the event of a breach.²⁷
4

5 79. The FTC further recommends that companies not maintain PII longer
6 than is needed for authorization of a transaction; limit access to sensitive data;
7
8 require complex passwords to be used on networks; use industry-tested methods for
9 security; monitor for suspicious activity on the network; and verify that third-party
10 service providers have implemented reasonable security measures.
11

12 80. The FTC has brought enforcement actions against businesses for failing
13 to adequately and reasonably protect employee data, treating the failure to employ
14 reasonable and appropriate measures to protect against unauthorized access to
15 confidential employee data as an unfair act or practice prohibited by Section 5 of the
16 Federal Trade Commission Act (“FTCA”), 15 U.S.C. § 45. Orders resulting from
17 these actions further clarify the measures businesses must take to meet their data
18 security obligations.
19
20

21 81. These FTC enforcement actions include actions against employers, like
22 Defendant.
23

24 82. Section 5 of the FTC Act, 15 U.S.C. § 45, prohibits “unfair . . . practices
25 in or affecting commerce,” including, as interpreted and enforced by the FTC, the
26

27 ²⁷ *Id.*
28

1 unfair act or practice by businesses, such as Defendant, of failing to use reasonable
2 measures to protect PII. The FTC publications and orders described above also form
3 part of the basis of Defendant's duty in this regard.
4

5 83. Defendant failed to properly implement basic data security practices.

6 84. Defendant's failure to employ reasonable and appropriate measures to
7 protect against unauthorized access to employees' PII or to comply with applicable
8 industry standards constitutes an unfair act or practice prohibited by Section 5 of
9 the FTC Act, 15 U.S.C. § 45.
10

11 85. Upon information and belief, Defendant was at all times fully aware of
12 its obligation to protect the PII of its employees, Defendant was also aware of the
13 significant repercussions that would result from its failure to do so. Accordingly,
14 Defendant's conduct was particularly unreasonable given the nature and amount of
15 PII it obtained and stored and the foreseeable consequences of the immense damages
16 that would result to Plaintiff and the Class.
17

18
19
20 ***Defendant Fails to Comply with Industry Standards.***

21 86. As noted above, experts studying cyber security routinely identify
22 employers in possession of PII as being particularly vulnerable to cyberattacks
23 because of the value of the PII which they collect and maintain.
24

25 87. Several best practices have been identified that, at a minimum, should
26 be implemented by employers in possession of PII, like Defendant, including but not
27
28

1 limited to: educating all employees; strong passwords; multi-layer security,
2 including firewalls, anti-virus, and anti-malware software; encryption, making data
3 unreadable without a key; multi-factor authentication; backup data and limiting
4 which employees can access sensitive data. Defendant failed to follow these industry
5 best practices, including a failure to implement multi-factor authentication.
6

7
8 88. Other best cybersecurity practices that are standard for employers
9 include installing appropriate malware detection software; monitoring and limiting
10 the network ports; protecting web browsers and email management systems; setting
11 up network systems such as firewalls, switches and routers; monitoring and
12 protection of physical security systems; protection against any possible
13 communication system; training staff regarding critical points. Defendant failed to
14 follow these cybersecurity best practices, including failure to train staff.
15
16

17 89. Defendant failed to meet the minimum standards of any of the
18 following frameworks: the NIST Cybersecurity Framework Version 1.1 (including
19 without limitation PR.AC-1, PR.AC-3, PR.AC-4, PR.AC-5, PR.AC-6, PR.AC-7,
20 PR.AT-1, PR.DS-1, PR.DS-5, PR.PT-1, PR.PT-3, DE.CM-1, DE.CM-4, DE.CM-7,
21 DE.CM-8, and RS.CO-2), and the Center for Internet Security's Critical Security
22 Controls (CIS CSC), which are all established standards in reasonable cybersecurity
23 readiness.
24
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1 90. These foregoing frameworks are existing and applicable industry
2 standards for employers safeguarding their employees' data, and upon information
3 and belief, Defendant failed to comply with at least one—or all—of these accepted
4 standards, thereby opening the door to the threat actor and causing the Data Breach.
5

6 ***Common Injuries and Damages.***
7

8 91. As a result of Defendant's ineffective and inadequate data security
9 practices, the Data Breach, and the foreseeable consequences of PII ending up in the
10 possession of criminals, the risk of identity theft to the Plaintiff and Class Members
11 has materialized and is imminent, and Plaintiff and Class Members have all
12 sustained actual injuries and damages, including: (i) invasion of privacy; (ii) theft of
13 their PII; (iii) lost or diminished value of PII; (iv) lost time and opportunity costs
14 associated with attempting to mitigate the actual consequences of the Data Breach;
15 (v) loss of benefit of the bargain; (vi) lost opportunity costs associated with
16 attempting to mitigate the actual consequences of the Data Breach; (vii) statutory
17 damages; (viii) nominal damages; and (ix) the continued and certainly increased risk
18 to their PII, which: (a) remains unencrypted and available for unauthorized third
19 parties to access and abuse; and (b) remains backed up in Defendant's possession
20 and is subject to further unauthorized disclosures so long as Defendant fails to
21 undertake appropriate and adequate measures to protect the PII.
22
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28

The Data Breach Increases Victims' Risk of Identity Theft.

92. The unencrypted PII of Plaintiff and Class Members will end up for sale on the dark web as that is the *modus operandi* of hackers.

93. Unencrypted PII may also fall into the hands of companies that will use the detailed PII for targeted marketing without the approval of Plaintiff and Class Members. Simply put, unauthorized individuals can easily access the PII of Plaintiff and Class Members.

94. The link between a data breach and the risk of identity theft is simple and well established. Criminals acquire and steal PII to monetize the information. Criminals monetize the data by selling the stolen information on the black market to other criminals who then utilize the information to commit a variety of identity theft related crimes discussed below.

95. Plaintiff's and Class Members' PII is of great value to hackers and cyber criminals, and the data stolen in the Data Breach has been used and will continue to be used in a variety of sordid ways for criminals to exploit Plaintiff and Class Members and to profit off their misfortune.

96. Due to the risk of one's Social Security number being exposed, state legislatures have passed laws in recognition of the risk: "[t]he social security number can be used as a tool to perpetuate fraud against a person and to acquire sensitive personal, financial, medical, and familial information, the release of which could

1 cause great financial or personal harm to an individual. While the social security
2 number was intended to be used solely for the administration of the federal Social
3 Security System, over time this unique numeric identifier has been used extensively
4 for identity verification purposes[.]”²⁸

6 97. Moreover, “SSNs have been central to the American identity
7 infrastructure for years, being used as a key identifier[.] . . . U.S. banking processes
8 have also had SSNs baked into their identification process for years. In fact, SSNs
9 have been the gold standard for identifying and verifying the credit history of
10 prospective customers.”²⁹

13 98. “Despite the risk of fraud associated with the theft of Social Security
14 numbers, just five of the nation’s largest 25 banks have stopped using the numbers
15 to verify a customer’s identity after the initial account setup[.]”³⁰ Accordingly, since
16 Social Security numbers are frequently used to verify an individual’s identity after
17 logging onto an account or attempting a transaction, “[h]aving access to your Social
18 Security number may be enough to help a thief steal money from your bank
19 account”³¹

23 ²⁸ See N.C. Gen. Stat. § 132-1.10(1).

24 ²⁹ See [https://www.americanbanker.com/opinion/banks-need-to-stop-relying-on-social-security-](https://www.americanbanker.com/opinion/banks-need-to-stop-relying-on-social-security-numbers)
25 [numbers](https://www.americanbanker.com/opinion/banks-need-to-stop-relying-on-social-security-numbers)

26 ³⁰ See [https://archive.nytimes.com/bucks.blogs.nytimes.com/2013/03/20/just-5-banks-prohibit-](https://archive.nytimes.com/bucks.blogs.nytimes.com/2013/03/20/just-5-banks-prohibit-use-of-social-security-numbers/)
27 [use-of-social-security-numbers/](https://archive.nytimes.com/bucks.blogs.nytimes.com/2013/03/20/just-5-banks-prohibit-use-of-social-security-numbers/)

28 ³¹ See [https://www.credit.com/blog/5-things-an-identity-thief-can-do-with-your-social-security-](https://www.credit.com/blog/5-things-an-identity-thief-can-do-with-your-social-security-number-108597/)
number-108597/

1 99. One such example of criminals piecing together bits and pieces of
2 compromised PII for profit is the development of “Fullz” packages.³²
3

4 100. With “Fullz” packages, cyber-criminals can cross-reference two
5 sources of PII to marry unregulated data available elsewhere to criminally stolen
6 data with an astonishingly complete scope and degree of accuracy in order to
7 assemble complete dossiers on individuals.
8

9 101. The development of “Fullz” packages means here that the stolen PII
10 from the Data Breach can easily be used to link and identify it to Plaintiff’s and Class
11 Members’ phone numbers, email addresses, and other unregulated sources and
12 identifiers. In other words, even if certain information such as emails, phone
13 numbers, or credit card numbers may not be included in the PII that was exfiltrated
14 in the Data Breach, criminals may still easily create a Fullz package and sell it at a
15
16
17
18

19 ³² “Fullz” is fraudster speak for data that includes the information of the victim, including, but not
20 limited to, the name, address, credit card information, social security number, date of birth, and
21 more. As a rule of thumb, the more information you have on a victim, the more money that can be
22 made off of those credentials. Fullz are usually pricier than standard credit card credentials,
23 commanding up to \$100 per record (or more) on the dark web. Fullz can be cashed out (turning
24 credentials into money) in various ways, including performing bank transactions over the phone
25 with the required authentication details in-hand. Even “dead Fullz,” which are Fullz credentials
26 associated with credit cards that are no longer valid, can still be used for numerous purposes,
27 including tax refund scams, ordering credit cards on behalf of the victim, or opening a “mule
28 account” (an account that will accept a fraudulent money transfer from a compromised account)
without the victim’s knowledge. *See, e.g.,* Brian Krebs, *Medical Records for Sale in Underground*
Stolen From Texas Life Insurance Firm, Krebs on Security (Sep. 18, 2014),
[https://krebsonsecurity.com/2014/09/medical-records-for-sale-in-underground-stolen-from-](https://krebsonsecurity.com/2014/09/medical-records-for-sale-in-underground-stolen-from-texas-life-insurance-)
[texas-life-insurance-\]\(https://krebsonsecurity.com/2014/09/medical-records-for-sale-in-](https://krebsonsecurity.com/2014/09/medical-records-for-sale-in-underground-stolen-from-texas-life-insurance-finn/)
[underground-stolen-from-texas-life-insurance-finn/](https://krebsonsecurity.com/2014/09/medical-records-for-sale-in-underground-stolen-from-texas-life-insurance-finn/)

1 higher price to unscrupulous operators and criminals (such as illegal and scam
2 telemarketers) over and over.

3
4 102. The existence and prevalence of “Fullz” packages means that the PII
5 stolen from the data breach can easily be linked to the unregulated data (like
6 insurance information) of Plaintiff and the other Class Members.

7
8 103. Thus, even if certain information (such as insurance information) was
9 not stolen in the data breach, criminals can still easily create a comprehensive
10 “Fullz” package.

11
12 104. Then, this comprehensive dossier can be sold—and then resold in
13 perpetuity—to crooked operators and other criminals (like illegal and scam
14 telemarketers).

15
16 ***Loss of Time to Mitigate the Risk of Identity Theft and Fraud.***

17 105. As a result of the recognized risk of identity theft, when a Data Breach
18 occurs, and an individual is notified by a company that their PII was compromised,
19 as in this Data Breach, the reasonable person is expected to take steps and spend
20 time to address the dangerous situation, learn about the breach, and otherwise
21 mitigate the risk of becoming a victim of identity theft or fraud. Failure to spend
22 time taking steps to review accounts or credit reports could expose the individual to
23 greater financial harm – yet the resource and asset of time has been lost.
24
25
26
27
28

1 106. Thus, due to the actual and imminent risk of identity theft, Defendant,
2 in its Notice Letter instructs Plaintiff and Class Members to take the following
3 measures to protect themselves: “remain vigilant against incidents of identity theft
4 and fraud by regularly reviewing your credit reports and account statements for
5 suspicious activity and to detect errors.”³³
6

7
8 107. In addition, Defendant’s Notice letter includes a full three pages
9 devoted to “Steps You Can Take to Protect Against Identity Theft and Fraud” that
10 recommend Plaintiff and Class Members to partake in activities such as obtaining
11 credit reports, placing fraud alerts and security freezes on their accounts, and
12 contacting consumer reporting bureaus.³⁴
13

14 108. Defendant’s extensive suggestion of steps that Plaintiff and Class
15 Members must take in order to protect themselves from identity theft and/or fraud
16 demonstrates the significant time that Plaintiff and Class Members must undertake
17 in response to the Data Breach. Plaintiff’s and Class Members’ time is highly
18 valuable and irreplaceable, and accordingly, Plaintiff and Class Members suffered
19 actual injury and damages in the form of lost time that they spent on mitigation
20 activities in response to the Data Breach and at the direction of Defendant’s Notice
21 Letter.
22
23
24

25
26 _____
27 ³³ Notice Letter.

28 ³⁴ *Id.*

1 109. Plaintiff and Class Members have spent, and will spend additional time
2 in the future, on a variety of prudent actions, such as researching and verifying the
3 legitimacy of the Data Breach and monitoring their financial accounts for any
4 indication of fraudulent activity, which may take years to detect. Accordingly, the
5 Data Breach has caused Plaintiff and Class Members to suffer actual injury in the
6 form of lost time—which cannot be recaptured—spent on mitigation activities.
7

8
9 110. Plaintiff’s mitigation efforts are consistent with the U.S. Government
10 Accountability Office that released a report in 2007 regarding data breaches (“GAO
11 Report”) in which it noted that victims of identity theft will face “substantial costs
12 and time to repair the damage to their good name and credit record.”³⁵
13

14 111. Plaintiff’s mitigation efforts are also consistent with the steps that FTC
15 recommends that data breach victims take several steps to protect their personal and
16 financial information after a data breach, including: contacting one of the credit
17 bureaus to place a fraud alert (consider an extended fraud alert that lasts for seven
18 years if someone steals their identity), reviewing their credit reports, contacting
19 companies to remove fraudulent charges from their accounts, placing a credit freeze
20 on their credit, and correcting their credit reports.³⁶
21
22
23
24

25 ³⁵ See United States Government Accountability Office, GAO-07-737, Personal Information: Data
26 Breaches Are Frequent, but Evidence of Resulting Identity Theft Is Limited; However, the Full
Extent Is Unknown (June 2007), <https://www.gao.gov/new.items/d07737.pdf>.

27 ³⁶ See Federal Trade Commission, *Identity Theft.gov*, <https://www.identitytheft.gov/Steps> (last
28 visited July 7, 2022).

1 112. And for those Class Members who experience actual identity theft and
2 fraud, the United States Government Accountability Office released a report in 2007
3 regarding data breaches (“GAO Report”) in which it noted that victims of identity
4 theft will face “substantial costs and time to repair the damage to their good name
5 and credit record.”^[4]
6

7
8 ***Diminution of Value of PII.***

9 113. PII is a valuable property right.³⁷ Its value is axiomatic, considering the
10 value of Big Data in corporate America and the consequences of cyber thefts include
11 heavy prison sentences. Even this obvious risk to reward analysis illustrates beyond
12 doubt that PII has considerable market value.
13

14 114. Sensitive PII can sell for as much as \$363 per record according to the
15 Infosec Institute.³⁸
16

17 115. An active and robust legitimate marketplace for PII also exists. In 2019,
18 the data brokering industry was worth roughly \$200 billion.³⁹ In fact, the data
19 marketplace is so sophisticated that consumers can actually sell their non-public
20
21

22 ³⁷ See “Data Breaches Are Frequent, but Evidence of Resulting Identity Theft Is Limited;
23 However, the Full Extent Is Unknown,” p. 2, U.S. Government Accountability Office, June 2007,
<https://www.gao.gov/new.items/d07737.pdf> (last visited Sep. 13, 2022) (“GAO Report”).

24 ³⁸ See, e.g., John T. Soma, et al, Corporate Privacy Trend: The “Value” of Personally Identifiable
25 Information (“PII”) Equals the “Value” of Financial Assets, 15 Rich. J.L. & Tech. 11, at *3-4
(2009) (“PII, which companies obtain at little cost, has quantifiable value that is rapidly reaching
26 a level comparable to the value of traditional financial assets.”) (citations omitted).

27 ³⁹ See Ashiq Ja, *Hackers Selling Healthcare Data in the Black Market*, InfoSec (July 27, 2015),
<https://resources.infosecinstitute.com/topic/hackers-selling-healthcare-data-in-the-black-market/>
28 (last visited Sep. 13, 2022).

1 information directly to a data broker who in turn aggregates the information and
2 provides it to marketers or app developers.^{40,41} Consumers who agree to provide their
3 web browsing history to the Nielsen Corporation can receive up to \$50.00 a year.⁴²
4

5 116. As a result of the Data Breach, Plaintiff's and Class Members' PII ,
6 which has an inherent market value in both legitimate and dark markets, has been
7 damaged and diminished by its compromise and unauthorized release. However, this
8 transfer of value occurred without any consideration paid to Plaintiff or Class
9 Members for their property, resulting in an economic loss. Moreover, the PII is now
10 readily available, and the rarity of the Data has been lost, thereby causing additional
11 loss of value.
12
13

14 117. At all relevant times, Defendant knew, or reasonably should have
15 known, of the importance of safeguarding the PII of Plaintiff and Class Members,
16 and of the foreseeable consequences that would occur if Defendant's data security
17 system was breached, including, specifically, the significant costs that would be
18 imposed on Plaintiff and Class Members as a result of a breach.
19
20

21 118. The fraudulent activity resulting from the Data Breach may not come
22 to light for years.
23
24
25

26 ⁴⁰ <https://www.latimes.com/business/story/2019-11-05/column-data-brokers>

27 ⁴¹ <https://datacoup.com/>

28 ⁴² <https://digi.me/what-is-digime/>

1 119. Plaintiff and Class Members now face years of constant surveillance of
2 their financial and personal records, monitoring, and loss of rights. The Class is
3 incurring and will continue to incur such damages in addition to any fraudulent use
4 of their PII .
5

6 120. Defendant was, or should have been, fully aware of the unique type and
7 the significant volume of data on Defendant's network, amounting to, upon
8 information and belief, thousands to tens of thousands of individuals' detailed
9 personal information and, thus, the significant number of individuals who would be
10 harmed by the exposure of the unencrypted data.
11
12

13 121. The injuries to Plaintiff and Class Members were directly and
14 proximately caused by Defendant's failure to implement or maintain adequate data
15 security measures for the PII of Plaintiff and Class Members.
16

17 ***Future Costs of Credit and Identity Theft Monitoring is Reasonable and***
18 ***Necessary.***

19 122. Given the type of targeted attack, the sophisticated criminal activity,
20 and the type of PII involved in this case, there is a strong probability that entire
21 batches of stolen information have been placed, or will be placed, on the black
22 market/dark web for sale and purchase by criminals intending to utilize the PII for
23 identity theft crimes –e.g., opening bank accounts in the victims' names to make
24 purchases or to launder money; file false tax returns; take out loans or lines of credit;
25 or file false unemployment claims.
26
27
28

1 123. Such fraud may go undetected until debt collection calls commence
2 months, or even years, later. An individual may not know that his or her PII was
3 used to file for unemployment benefits until law enforcement notifies the
4 individual's employer of the suspected fraud. Fraudulent tax returns are typically
5 discovered only when an individual's authentic tax return is rejected.
6

7
8 124. Consequently, Plaintiff and Class Members are at an increased risk of
9 fraud and identity theft for many years into the future.

10 125. The retail cost of credit monitoring and identity theft monitoring can
11 cost around \$200 a year per Class Member. This is reasonable and necessary cost to
12 monitor to protect Class Members from the risk of identity theft that arose from
13 Defendant's Data Breach.
14

15
16 ***Loss of Benefit of the Bargain.***

17 126. Furthermore, Defendant's poor data security deprived Plaintiff and
18 Class Members of the benefit of their bargain. When agreeing to obtain employment
19 at Defendant under certain terms, Plaintiff and other reasonable employees
20 understood and expected that Defendant would properly safeguard and protect their
21 PII, when in fact, Defendant did not provide the expected data security. Accordingly,
22 Plaintiff and Class Members received employment positions of a lesser value than
23 what they reasonably expected to receive under the bargains they struck with
24 Defendant.
25
26
27
28

1 ***Plaintiff Flessas's Experience.***

2 127. Plaintiff Flessas is a former employee at Panda who left there in or
3 about 2024.
4

5 128. As a condition of her employment at Panda, she was required to
6 supply Defendant with her PII, including but not limited to her name, date of
7 birth, financial account information, and Social Security number.
8

9 129. Plaintiff Flessas is very careful about sharing her sensitive PII.
10 Plaintiff stores any documents containing her PII in a safe and secure location.
11 She has never knowingly transmitted unencrypted sensitive PII over the internet
12 or any other unsecured source.
13

14 130. At the time of the Data Breach—March 7, 2024 through March 11,
15 2023—Defendant retained Plaintiff's PII in its system.
16

17 131. Plaintiff Flessas received the Notice Letter, by U.S. mail, directly
18 from Defendant, dated April 29, 2024. According to the Notice Letter, Plaintiff's
19 PII was improperly accessed and obtained by unauthorized third parties, including
20 her full name, date of birth, financial account number, and Social Security
21 number.
22

23 132. As a result of the Data Breach, and at the direction of Defendant's
24 Notice Letter, which instructs Plaintiff to "remain vigilant against incidents of
25 identity theft and fraud by regularly reviewing your credit reports and account
26
27
28

1 statements for suspicious activity and to detect errors[,]”⁴³ Plaintiff made
2 reasonable efforts to mitigate the impact of the Data Breach, including but not
3 limited to: researching and verifying the legitimacy of the Data Breach as well
4 as monitoring her financial accounts for any indication of fraudulent activity,
5 which may take years to detect. Plaintiff have spent significant on mitigation
6 activities in response to the Data Breach—valuable time Plaintiff otherwise would
7 have spent on other activities, including but not limited to work and/or recreation.
8 This time has been lost forever and cannot be recaptured.
9
10

11
12 133. Subsequent to the Data Breach, Plaintiff Flessas has suffered
13 numerous, substantial injuries including, but not limited to: (i) invasion of
14 privacy; (ii) theft of her PII; (iii) lost or diminished value of PII; (iv) lost time
15 and opportunity costs associated with attempting to mitigate the actual
16 consequences of the Data Breach; (v) lost opportunity costs associated with
17 attempting to mitigate the actual consequences of the Data Breach; (vi) statutory
18 damages; (vii) nominal damages; and (viii) the continued and certainly increased
19 risk to her PII, which: (a) remains unencrypted and available for unauthorized
20 third parties to access and abuse; and (b) remains backed up in Defendant’s
21 possession and is subject to further unauthorized disclosures so long as Defendant
22 fails to undertake appropriate and adequate measures to protect the PII.
23
24
25
26

27 ⁴³ Notice Letter.
28

1 134. Plaintiff also suffered actual injury in the form of experiencing an
2 increase in spam calls, texts, and/or emails, which, upon information and belief,
3 was caused by the Data Breach. This misuse of her PII was caused, upon
4 information and belief, by the fact that cybercriminals are able to easily use the
5 information compromised in the Data Breach to find more information about an
6 individual, such as their phone number or email address, from publicly available
7 sources, including websites that aggregate and associate personal information
8 with the owner of such information. Criminals often target data breach victims
9 with spam emails, calls, and texts to gain access to their devices with phishing
10 attacks or elicit further personal information for use in committing identity theft
11 or fraud.
12

13 135. The Data Breach has caused Plaintiff to suffer fear, anxiety, and
14 stress, which has been compounded by the fact that Defendant has still not fully
15 informed her of key details about the Data Breach's occurrence.
16

17 136. As a result of the Data Breach, Plaintiff anticipates spending
18 considerable time and money on an ongoing basis to try to mitigate and address
19 harms caused by the Data Breach.
20

21 137. As a result of the Data Breach, Plaintiff is at a present risk and will
22 continue to be at increased risk of identity theft and fraud for years to come.
23
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1 138. Plaintiff Flessas has a continuing interest in ensuring that her PII,
2 which, upon information and belief, remains backed up in Defendant's
3 possession, is protected and safeguarded from future breaches.
4

5 **CLASS ACTION ALLEGATIONS**

6 139. Plaintiff brings this nationwide class action on behalf of herself and on
7 behalf of all others similarly situated pursuant to Rule 23(b)(2), 23(b)(3), and
8 23(c)(4) of the Federal Rules of Civil Procedure.
9

10 140. The Class that Plaintiff seeks to represent is defined as follows:
11

12 All individuals residing in the United States whose PII was accessed and/or
13 acquired by an unauthorized party as a result of the data breach reported by
14 Defendant in April 2024 (the "Class").

15 141. Excluded from the Class are the following individuals and/or entities:
16 Defendant and Defendant's parents, subsidiaries, affiliates, officers and directors,
17 and any entity in which Defendant have a controlling interest; all individuals who
18 make a timely election to be excluded from this proceeding using the correct protocol
19 for opting out; and all judges assigned to hear any aspect of this litigation, as well as
20 their immediate family members.
21

22 142. Plaintiff reserves the right to amend the definitions of the Class or add
23 a Class or Subclass if further information and discovery indicate that the definitions
24 of the Class should be narrowed, expanded, or otherwise modified.
25
26
27
28

1 143. Numerosity. The members of the Class are so numerous that joinder of
2 all members is impracticable, if not completely impossible. Although the precise
3 number of individuals is currently unknown to Plaintiff and exclusively in the
4 possession of Defendant, upon information and belief, thousands of individuals were
5 impacted. The Class is apparently identifiable within Defendant's records, and
6 Defendant has already identified these individuals (as evidenced by sending them
7 breach notification letters).

8
9
10 144. Common questions of law and fact exist as to all members of the Class
11 and predominate over any questions affecting solely individual members of the
12 Class. Among the questions of law and fact common to the Class that predominate
13 over questions which may affect individual Class members, including the following:
14

- 15
16 a. Whether and to what extent Defendant had a duty to protect the PII of
17 Plaintiff and Class Members;
18
19 b. Whether Defendant had respective duties not to disclose the PII of
20 Plaintiff and Class Members to unauthorized third parties;
21
22 c. Whether Defendant had respective duties not to use the PII of Plaintiff
23 and Class Members for non-business purposes;
24
25 d. Whether Defendant failed to adequately safeguard the PII of Plaintiff
26 and Class Members;
27
28 e. Whether and when Defendant actually learned of the Data Breach;

- f. Whether Defendant adequately, promptly, and accurately informed Plaintiff and Class Members that their PII had been compromised;
- g. Whether Defendant violated the law by failing to promptly notify Plaintiff and Class Members that their PII had been compromised;
- h. Whether Defendant failed to implement and maintain reasonable security procedures and practices appropriate to the nature and scope of the information compromised in the Data Breach;
- i. Whether Defendant adequately addressed and fixed the vulnerabilities which permitted the Data Breach to occur;
- j. Whether Plaintiff and Class Members are entitled to actual damages, statutory damages, and/or nominal damages as a result of Defendant's wrongful conduct; and,
- k. Whether Plaintiff and Class Members are entitled to injunctive relief to redress the imminent and currently ongoing harm faced as a result of the Data Breach.

145. Typicality. Plaintiff's claims are typical of those of the other members of the Class because Plaintiff, like every other Class Member, was exposed to virtually identical conduct and now suffers from the same violations of the law as each other member of the Class.

1 146. Policies Generally Applicable to the Class. This class action is also
2 appropriate for certification because Defendant acted or refused to act on grounds
3 generally applicable to the Class, thereby requiring the Court's imposition of
4 uniform relief to ensure compatible standards of conduct toward the Class Members
5 and making final injunctive relief appropriate with respect to the Class as a whole.
6 Defendant's policies challenged herein apply to and affect Class Members uniformly
7 and Plaintiff's challenge of these policies hinges on Defendant's conduct with
8 respect to the Class as a whole, not on facts or law applicable only to Plaintiff.
9
10

11 147. Adequacy. Plaintiff will fairly and adequately represent and protect the
12 interests of the Class Members in that she has no disabling conflicts of interest that
13 would be antagonistic to those of the other Class Members. Plaintiff seeks no relief
14 that is antagonistic or adverse to the Class Members and the infringement of the
15 rights and the damages she has suffered are typical of other Class Members. Plaintiff
16 has retained counsel experienced in complex class action and data breach litigation,
17 and Plaintiff intends to prosecute this action vigorously.
18
19
20

21 148. Superiority and Manageability. The class litigation is an appropriate
22 method for fair and efficient adjudication of the claims involved. Class action
23 treatment is superior to all other available methods for the fair and efficient
24 adjudication of the controversy alleged herein; it will permit a large number of Class
25 Members to prosecute their common claims in a single forum simultaneously,
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27
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1 efficiently, and without the unnecessary duplication of evidence, effort, and expense
2 that hundreds of individual actions would require. Class action treatment will permit
3 the adjudication of relatively modest claims by certain Class Members, who could
4 not individually afford to litigate a complex claim against large corporations, like
5 Defendant. Further, even for those Class Members who could afford to litigate such
6 a claim, it would still be economically impractical and impose a burden on the courts.
7
8

9 149. The nature of this action and the nature of laws available to Plaintiff
10 and Class Members make the use of the class action device a particularly efficient
11 and appropriate procedure to afford relief to Plaintiff and Class Members for the
12 wrongs alleged because Defendant would necessarily gain an unconscionable
13 advantage since they would be able to exploit and overwhelm the limited resources
14 of each individual Class Member with superior financial and legal resources; the
15 costs of individual suits could unreasonably consume the amounts that would be
16 recovered; proof of a common course of conduct to which Plaintiff was exposed is
17 representative of that experienced by the Class and will establish the right of each
18 Class Member to recover on the cause of action alleged; and individual actions
19 would create a risk of inconsistent results and would be unnecessary and duplicative
20 of this litigation.
21
22
23
24

25 150. The litigation of the claims brought herein is manageable. Defendant's
26 uniform conduct, the consistent provisions of the relevant laws, and the ascertainable
27
28

1 identities of Class Members demonstrates that there would be no significant
2 manageability problems with prosecuting this lawsuit as a class action.
3

4 151. Adequate notice can be given to Class Members directly using
5 information maintained in Defendant's records.

6 152. Unless a Class-wide injunction is issued, Defendant may continue in its
7 failure to properly secure the PII of Class Members, Defendant may continue to
8 refuse to provide proper notification to Class Members regarding the Data Breach,
9 and Defendant may continue to act unlawfully as set forth in this Complaint.
10

11 153. Further, Defendant has acted on grounds that apply generally to the
12 Class as a whole, so that class certification, injunctive relief, and corresponding
13 declaratory relief are appropriate on a class- wide basis.
14

15 154. Likewise, particular issues under Rule 23(c)(2) are appropriate for
16 certification because such claims present only particular, common issues, the
17 resolution of which would advance the disposition of this matter and the parties'
18 interests therein. Such particular issues include, but are not limited to:
19

- 20
- 21 a. Whether Defendant failed to timely notify the Plaintiff and the class of
22 the Data Breach;
23
 - 24 b. Whether Defendant owed a legal duty to Plaintiff and the Class to
25 exercise due care in collecting, storing, and safeguarding their PII;
26
- 27
28

- 1 c. Whether Defendant's security measures to protect their data systems
2 were reasonable in light of best practices recommended by data
3 security experts;
4
5 d. Whether Defendant's failure to institute adequate protective security
6 measures amounted to negligence;
7
8 e. Whether Defendant failed to take commercially reasonable steps to
9 safeguard its employees' PII; and,
10
11 f. Whether adherence to FTC data security recommendations, and
12 measures recommended by data security experts would have
13 reasonably prevented the Data Breach.

14 **CAUSES OF ACTION**

15 **COUNT I**
16 **NEGLIGENCE**

17 **(On Behalf of Plaintiff and All Class Members)**

18 155. Plaintiff re-alleges and incorporates by reference all of the preceding
19 allegations, as if fully set forth herein.
20

21 156. Defendant requires its employees, including Plaintiff and Class
22 Members, to submit non-public PII in the ordinary course of providing its services.
23

24 157. Defendant gathered and stored the PII of Plaintiff and Class Members
25 as part of its business of soliciting its employees, which solicitations and services
26 affect commerce.
27
28

1 158. Plaintiff and Class Members entrusted Defendant with their PII with
2 the understanding that Defendant would safeguard their information.

3
4 159. Defendant had full knowledge of the sensitivity of the PII and the types
5 of harm that Plaintiff and Class Members could and would suffer if the PII were
6 wrongfully disclosed.

7
8 160. By assuming the responsibility to collect and store this data, and in fact
9 doing so, and sharing it and using it for commercial gain, Defendant had a duty of
10 care to use reasonable means to secure and to prevent disclosure of the information,
11 and to safeguard the information from theft.

12
13 161. Defendant had a duty to employ reasonable security measures under
14 Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, which prohibits
15 “unfair . . . practices in or affecting commerce,” including, as interpreted and
16 enforced by the FTC, the unfair practice of failing to use reasonable measures to
17 protect confidential data.

18
19
20 162. Defendant owed a duty of care to Plaintiff and Class Members to
21 provide data security consistent with industry standards and other requirements
22 discussed herein, and to ensure that its systems and networks, and the personnel
23 responsible for them, adequately protected the PII.

24
25 163. Defendant's duty of care to use reasonable security measures arose as a
26 result of the special relationship that existed between Defendant and Plaintiff and
27

1 Class Members. That special relationship arose because Plaintiff and the Class
2 entrusted Defendant with their confidential PII, a necessary part of obtaining
3 employment at Defendant.
4

5 164. Defendant's duty to use reasonable care in protecting confidential data
6 arose not only as a result of the statutes and regulations described above, but also
7 because Defendant is bound by industry standards to protect confidential PII.
8

9 165. Defendant was subject to an "independent duty," untethered to any
10 contract between Defendant and Plaintiff or the Class.
11

12 166. Defendant also had a duty to exercise appropriate clearinghouse
13 practices to remove former employees' PII it was no longer required to retain
14 pursuant to regulations.
15

16 167. Moreover, Defendant had a duty to promptly and adequately notify
17 Plaintiff and the Class of the Data Breach.
18

19 168. Defendant had and continues to have a duty to adequately disclose that
20 the PII of Plaintiff and the Class within Defendant's possession might have been
21 compromised, how it was compromised, and precisely the types of data that were
22 compromised and when. Such notice was necessary to allow Plaintiff and the Class
23 to take steps to prevent, mitigate, and repair any identity theft and the fraudulent use
24 of their PII by third parties.
25
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1 169. Defendant breached its duties, pursuant to the FTC Act and other
2 applicable standards, and thus was negligent, by failing to use reasonable measures
3 to protect Class Members' PII. The specific negligent acts and omissions committed
4 by Defendant include, but are not limited to, the following:
5

- 6 a. Failing to adopt, implement, and maintain adequate security measures
7 to safeguard Class Members' PII;
- 8 b. Failing to adequately monitor the security of their networks and
9 systems;
- 10 c. Allowing unauthorized access to Class Members' PII;
- 11 d. Failing to detect in a timely manner that Class Members' PII had been
12 compromised;
- 13 e. Failing to remove former employees' PII it was no longer required to
14 retain pursuant to regulations, and;
- 15 f. Failing to timely and adequately notify Class Members about the Data
16 Breach's occurrence and scope, so that they could take appropriate
17 steps to mitigate the potential for identity theft and other damages.
18
19
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21
22

23 170. Defendant violated Section 5 of the FTC Act by failing to use
24 reasonable measures to protect PII and not complying with applicable industry
25 standards, as described in detail herein. Defendant's conduct was particularly
26 unreasonable given the nature and amount of PII it obtained and stored and the
27
28

1 foreseeable consequences of the immense damages that would result to Plaintiff and
2 the Class.

3
4 171. Defendant's violation of Section 5 of the FTC Act constitutes
5 negligence.

6
7 172. Plaintiff and Class Members were within the class of persons the
8 Federal Trade Commission Act was intended to protect and the type of harm that
9 resulted from the Data Breach was the type of harm the statute was intended to guard
10 against.

11
12 173. The FTC has pursued enforcement actions against businesses, which,
13 as a result of their failure to employ reasonable data security measures and avoid
14 unfair and deceptive practices, caused the same harm as that suffered by Plaintiff
15 and the Class.

16
17 174. A breach of security, unauthorized access, and resulting injury to
18 Plaintiff and the Class was reasonably foreseeable, particularly in light of
19 Defendant's inadequate security practices.

20
21 175. It was foreseeable that Defendant's failure to use reasonable measures
22 to protect Class Members' PII would result in injury to Class Members. Further, the
23 breach of security was reasonably foreseeable given the known high frequency of
24 cyberattacks and data breaches targeting employers in possession of PII.
25
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1 176. Defendant has full knowledge of the sensitivity of the PII and the types
2 of harm that Plaintiff and the Class could and would suffer if the PII were wrongfully
3 disclosed.
4

5 177. Plaintiff and the Class were the foreseeable and probable victims of any
6 inadequate security practices and procedures. Defendant knew or should have
7 known of the inherent risks in collecting and storing the PII of Plaintiff and the Class,
8 the critical importance of providing adequate security of that PII, and the necessity
9 for encrypting PII stored on Defendant's systems.
10

11
12 178. It was therefore foreseeable that the failure to adequately safeguard
13 Class Members' PII would result in one or more types of injuries to Class Members.
14

15 179. Plaintiff and the Class had no ability to protect their PII that was in, and
16 possibly remains in, Defendant's possession.

17 180. Defendant was in a position to protect against the harm suffered by
18 Plaintiff and the Class as a result of the Data Breach.
19

20 181. Defendant's duty extended to protecting Plaintiff and the Class from
21 the risk of foreseeable criminal conduct of third parties, which has been recognized
22 in situations where the actor's own conduct or misconduct exposes another to the
23 risk or defeats protections put in place to guard against the risk, or where the parties
24 are in a special relationship. *See* Restatement (Second) of Torts § 302B. Numerous
25
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1 courts and legislatures have also recognized the existence of a specific duty to
2 reasonably safeguard personal information.

3
4 182. Defendant has admitted that the PII of Plaintiff and the Class was
5 wrongfully lost and disclosed to unauthorized third persons as a result of the Data
6 Breach.

7
8 183. But for Defendant's wrongful and negligent breach of duties owed to
9 Plaintiff and the Class, the PII of Plaintiff and the Class would not have been
10 compromised.

11
12 184. There is a close causal connection between Defendant's failure to
13 implement security measures to protect the PII of Plaintiff and the Class and the
14 harm, or risk of imminent harm, suffered by Plaintiff and the Class. The PII of
15 Plaintiff and the Class was lost and accessed as the proximate result of Defendant's
16 failure to exercise reasonable care in safeguarding such PII by adopting,
17 implementing, and maintaining appropriate security measures.

18
19
20 185. As a direct and proximate result of Defendant's negligence, Plaintiff
21 and the Class have suffered and will suffer injury, including but not limited to: (i)
22 invasion of privacy; (ii) theft of their PII; (iii) lost or diminished value of PII; (iv)
23 lost time and opportunity costs associated with attempting to mitigate the actual
24 consequences of the Data Breach; (v) loss of benefit of the bargain; (vi) lost
25 opportunity costs associated with attempting to mitigate the actual consequences of
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1 the Data Breach; (vii) actual misuse of the compromised data consisting of an
2 increase in spam calls, texts, and/or emails; (viii) nominal damages; and (ix) the
3 continued and certainly increased risk to their PII, which: (a) remains unencrypted
4 and available for unauthorized third parties to access and abuse; and (b) remains
5 backed up in Defendant's possession and is subject to further unauthorized
6 disclosures so long as Defendant fails to undertake appropriate and adequate
7 measures to protect the PII.
8
9

10 186. As a direct and proximate result of Defendant's negligence, Plaintiff
11 and the Class have suffered and will continue to suffer other forms of injury and/or
12 harm, including, but not limited to, anxiety, emotional distress, loss of privacy, and
13 other economic and non-economic losses.
14
15

16 187. Additionally, as a direct and proximate result of Defendant's
17 negligence, Plaintiff and the Class have suffered and will suffer the continued risks
18 of exposure of their PII, which remain in Defendant's possession and is subject to
19 further unauthorized disclosures so long as Defendant fails to undertake appropriate
20 and adequate measures to protect the PII in its continued possession.
21
22

23 188. Plaintiff and Class Members are entitled to compensatory and
24 consequential damages suffered as a result of the Data Breach.

25 189. Defendant's negligent conduct is ongoing, in that it still holds the PII
26 of Plaintiff and Class Members in an unsafe and insecure manner.
27
28

1 190. Plaintiff and Class Members are also entitled to injunctive relief
2 requiring Defendant to (i) strengthen its data security systems and monitoring
3 procedures; (ii) submit to future annual audits of those systems and monitoring
4 procedures; and (iii) continue to provide adequate credit monitoring to all Class
5 Members.
6

7
8 **COUNT II**
9 **BREACH OF IMPLIED CONTRACT**
10 **(On Behalf of Plaintiff and All Class Members)**

11 191. Plaintiff re-alleges and incorporates by reference all of the preceding
12 allegations, as if fully set forth herein.

13 192. Plaintiff and Class Members were required deliver their PII to
14 Defendant as part of the process of obtaining employment at Defendant. Plaintiff
15 and Class Members provided their labor and PII to Defendant with the assumption
16 that a portion of its earnings would be used to adequately safeguard their PII.
17

18 193. Defendant solicited, offered, and invited Class Members to provide
19 their PII as part of Defendant's regular business practices. Plaintiff and Class
20 Members accepted Defendant's offers and provided their PII to Defendant.
21

22 194. Defendant accepted possession of Plaintiff's and Class Members' PII
23 for the purpose of performing its regular business operations.
24

25 195. Plaintiff and the Class entrusted their PII to Defendant. In so doing,
26 Plaintiff and the Class entered into implied contracts with Defendant by which
27
28

1 Defendant agreed to safeguard and protect such information, to keep such
2 information secure and confidential, and to timely and accurately notify Plaintiff and
3 the Class if their data had been breached and compromised or stolen.
4

5 196. In entering into such implied contracts, Plaintiff and Class Members
6 reasonably believed and expected that Defendant's data security practices complied
7 with relevant laws and regulations (including FTC guidelines on data security) and
8 were consistent with industry standards.
9

10 197. Implicit in the agreement between Plaintiff and Class Members and the
11 Defendant to provide PII, was the latter's obligation to: (a) use such PII for business
12 purposes only, (b) take reasonable steps to safeguard that PII, (c) prevent
13 unauthorized disclosures of the PII, (d) provide Plaintiff and Class Members with
14 prompt and sufficient notice of any and all unauthorized access and/or theft of their
15 PII, (e) reasonably safeguard and protect the PII of Plaintiff and Class Members from
16 unauthorized disclosure or uses, (f) retain the PII only under conditions that kept
17 such information secure and confidential.
18
19
20

21 198. The mutual understanding and intent of Plaintiff and Class Members on
22 the one hand, and Defendant, on the other, is demonstrated by their conduct and
23 course of dealing.
24

25 199. On information and belief, at all relevant times Defendant promulgated,
26 adopted, and implemented written privacy policies whereby it expressly promised
27
28

1 Plaintiff and Class Members that it would only disclose PII under certain
2 circumstances, none of which relate to the Data Breach.

3
4 200. On information and belief, Defendant further promised to comply with
5 industry standards and to make sure that Plaintiff's and Class Members' PII would
6 remain protected.

7
8 201. Plaintiff and Class Members provided their labor to Defendant with the
9 reasonable belief and expectation that Defendant would use part of its earnings to
10 obtain adequate data security. Defendant failed to do so.

11
12 202. Plaintiff and Class Members would not have entrusted their PII to
13 Defendant in the absence of the implied contract between them and Defendant to
14 keep their information reasonably secure.

15
16 203. Plaintiff and Class Members would not have entrusted their PII to
17 Defendant in the absence of their implied promise to monitor their computer systems
18 and networks to ensure that it adopted reasonable data security measures.

19
20 204. Every contract in this State has an implied covenant of good faith and
21 fair dealing, which is an independent duty and may be breached even when there is
22 no breach of a contract's actual and/or express terms.

23
24 205. Plaintiff and Class Members fully and adequately performed their
25 obligations under the implied contracts with Defendant.

1 206. Defendant breached the implied contracts it made with Plaintiff and the
2 Class by failing to safeguard and protect their personal information, by failing to
3 delete the information of Plaintiff and the Class once the relationship ended, and by
4 failing to provide accurate notice to them that personal information was
5 compromised as a result of the Data Breach.
6

7 207. Defendant breached the implied covenant of good faith and fair dealing
8 by failing to maintain adequate computer systems and data security practices to
9 safeguard PII, failing to timely and accurately disclose the Data Breach to Plaintiff
10 and Class Members and continued acceptance of PII and storage of other personal
11 information after Defendant knew, or should have known, of the security
12 vulnerabilities of the systems that were exploited in the Data Breach.
13
14

15 208. As a direct and proximate result of Defendant's breach of the implied
16 contracts, Plaintiff and Class Members sustained damages, including, but not limited
17 to: (i) invasion of privacy; (ii) theft of their PII; (iii) lost or diminished value of PII;
18 (iv) lost time and opportunity costs associated with attempting to mitigate the actual
19 consequences of the Data Breach; (v) loss of benefit of the bargain; (vi) lost
20 opportunity costs associated with attempting to mitigate the actual consequences of
21 the Data Breach; (vii) actual misuse of the compromised data consisting of an
22 increase in spam calls, texts, and/or emails; (viii) nominal damages; and (ix) the
23 continued and certainly increased risk to their PII, which: (a) remains unencrypted
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1 and available for unauthorized third parties to access and abuse; and (b) remains
2 backed up in Defendant's possession and is subject to further unauthorized
3 disclosures so long as Defendant fails to undertake appropriate and adequate
4 measures to protect the PII.
5

6 209. Plaintiff and Class Members are entitled to compensatory,
7 consequential, and nominal damages suffered as a result of the Data Breach.
8

9 210. Plaintiff and Class Members are also entitled to injunctive relief
10 requiring Defendant to, *e.g.*, (i) strengthen its data security systems and monitoring
11 procedures; (ii) submit to future annual audits of those systems and monitoring
12 procedures; and (iii) immediately provide adequate credit monitoring to all Class
13 Members.
14
15

16 **COUNT III**
17 **UNJUST ENRICHMENT**
18 **(On Behalf of Plaintiff and All Class Members)**

19 211. Plaintiff re-alleges and incorporates by reference all of the preceding
20 allegations, as if fully set forth herein.

21 212. This Count is pleaded in the alternative to the breach of implied contract
22 (Count II).
23

24 213. Plaintiff and Class Members conferred a monetary benefit on
25 Defendant. Specifically, they provided their labor to Defendant and/or its agents and
26 in so doing also provided Defendant with their PII. In exchange, Plaintiff and Class
27
28

1 Members should have received from Defendant the employment positions that were
2 the subject of the transactions and should have had their PII protected with adequate
3 data security.
4

5 214. Defendant knew that Plaintiff and Class Members conferred a benefit
6 upon it and has accepted and retained that benefit by accepting and retaining the PII
7 entrusted to it. Defendant profited from Plaintiff's retained data and used Plaintiff's
8 and Class Members' PII for business purposes.
9

10 215. Defendant failed to secure Plaintiff's and Class Members' PII and,
11 therefore, did not fully compensate Plaintiff or Class Members for the value that
12 their PII provided.
13

14 216. Defendant acquired the PII through inequitable record retention as it
15 failed to investigate and/or disclose the inadequate data security practices previously
16 alleged.
17

18 217. If Plaintiff and Class Members had known that Defendant would not
19 use adequate data security practices, procedures, and protocols to adequately
20 monitor, supervise, and secure their PII, they would have entrusted their PII at
21 Defendant or obtained employment at Defendant.
22

23 218. Plaintiff and Class Members have no adequate remedy at law.
24

25 219. Defendant enriched itself by saving the costs it reasonably should have
26 expended on data security measures to secure Plaintiff's and Class Members'
27
28

1 Personal Information. Instead of providing a reasonable level of security that would
2 have prevented the hacking incident, Defendant instead calculated to increase its
3 own profit at the expense of Plaintiff and Class Members by utilizing cheaper,
4 ineffective security measures and diverting those funds to its own profit. Plaintiff
5 and Class Members, on the other hand, suffered as a direct and proximate result of
6 Defendant's decision to prioritize its own profits over the requisite security and the
7 safety of their PII.
8

9
10 220. Under the circumstances, it would be unjust for Defendant to be
11 permitted to retain any of the benefits that Plaintiff and Class Members conferred
12 upon it.
13

14 221. As a direct and proximate result of Defendant's conduct, Plaintiff and
15 Class Members have suffered and will suffer injury, including but not limited to: (i)
16 invasion of privacy; (ii) theft of their PII; (iii) lost or diminished value of PII; (iv)
17 lost time and opportunity costs associated with attempting to mitigate the actual
18 consequences of the Data Breach; (v) loss of benefit of the bargain; (vi) lost
19 opportunity costs associated with attempting to mitigate the actual consequences of
20 the Data Breach; (vii) actual misuse of the compromised data consisting of an
21 increase in spam calls, texts, and/or emails; (viii) nominal damages; and (ix) the
22 continued and certainly increased risk to their PII, which: (a) remains unencrypted
23 and available for unauthorized third parties to access and abuse; and (b) remains
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1 backed up in Defendant's possession and is subject to further unauthorized
2 disclosures so long as Defendant fails to undertake appropriate and adequate
3 measures to protect the PII.
4

5 222. Plaintiff and Class Members are entitled to full refunds, restitution,
6 and/or damages from Defendant and/or an order proportionally disgorging all
7 profits, benefits, and other compensation obtained by Defendant from its wrongful
8 conduct. This can be accomplished by establishing a constructive trust from which
9 the Plaintiff and Class Members may seek restitution or compensation.
10

11 223. Plaintiff and Class Members may not have an adequate remedy at law
12 against Defendant, and accordingly, they plead this claim for unjust enrichment in
13 addition to, or in the alternative to, other claims pleaded herein.
14
15

16 **COUNT IV**
17 **Violation of the California Unfair Competition Law,**
18 **Cal. Bus. & Prof. Code §17200 *et seq.***
(On Behalf of Plaintiff and All Class Members)

19 224. Plaintiff re-alleges and incorporates by reference all of the preceding
20 allegations, as if fully set forth herein.
21

22 225. Defendant is a "person" defined by Cal. Bus. & Prof. Code § 17201.

23 226. Defendant violated Cal. Bus. & Prof. Code § 17200 *et seq.* ("UCL") by
24 engaging in unlawful, unfair, and deceptive business acts and practices.
25

26 227. Defendant's "unfair" acts and practices include:
27
28

- a. by utilizing cheaper, ineffective security measures and diverting those funds to its own profit, instead of providing a reasonable level of security that would have prevented the hacking incident;
- b. failing to follow industry standard and the applicable, required, and appropriate protocols, policies, and procedures regarding the encryption of data;
- c. failing to timely and adequately notify Class Members about the Data Breach's occurrence and scope, so that they could take appropriate steps to mitigate the potential for identity theft and other damages;
- d. Omitting, suppressing, and concealing the material fact that it did not reasonably or adequately secure Plaintiff's and Class Members' personal information; and
- e. Omitting, suppressing, and concealing the material fact that it did not comply with common law and statutory duties pertaining to the security and privacy of Plaintiff's and Class Members' personal information, including duties imposed by the FTC Act, 15 U.S.C. § 45.

228. Defendant has engaged in "unlawful" business practices by violating multiple laws, including the FTC Act, 15 U.S.C. § 45, and California common law.

229. Defendant's unlawful, unfair, and deceptive acts and practices include:

- a. Failing to implement and maintain reasonable security and privacy measures to protect Plaintiff's and Class Members' personal information, which was a direct and proximate cause of the Data Breach;
- b. Failing to identify foreseeable security and privacy risks, remediate identified security and privacy risks, which was a direct and proximate cause of the Data Breach;
- c. Failing to comply with common law and statutory duties pertaining to the security and privacy of Plaintiff's and Class Members' personal information, including duties imposed by the FTC Act, 15 U.S.C. § 45, which was a direct and proximate cause of the Data Breach;
- d. Misrepresenting that it would protect the privacy and confidentiality of Plaintiff's and Class Members' personal information, including by implementing and maintaining reasonable security measures; and
- e. Misrepresenting that it would comply with common law and statutory duties pertaining to the security and privacy of Plaintiff's and Class Members' personal information, including duties imposed by the FTC Act, 15 U.S.C. § 45.

230. Defendant's representations and omissions were material because they were likely to deceive reasonable consumers about the adequacy of Defendant's data security and ability to protect the confidentiality of consumers' personal information.

1 231. As a direct and proximate result of Defendant's unfair, unlawful, and
2 fraudulent acts and practices, Plaintiff and Class Members' were injured and lost
3 money or property, which would not have occurred but for the unfair and deceptive
4 acts, practices, and omissions alleged herein, time and expenses related to
5 monitoring their financial accounts for fraudulent activity, an increased, imminent
6 risk of fraud and identity theft, and loss of value of their personal information.
7
8

9 232. Defendant's violations were, and are, willful, deceptive, unfair, and
10 unconscionable.
11

12 233. Plaintiff and Class Members have lost money and property as a result
13 of Defendant's conduct in violation of the UCL, as stated herein and above.
14

15 234. By deceptively storing, collecting, and disclosing their personal
16 information, Defendant has taken money or property from Plaintiff and Class
17 Members.
18

19 235. Defendant acted intentionally, knowingly, and maliciously to violate
20 California's Unfair Competition Law, and recklessly disregarded Plaintiff's and
21 Class Members' rights.
22

23 236. Plaintiff and Class Members seek all monetary and nonmonetary relief
24 allowed by law, including restitution of all profits stemming from Defendant's
25 unfair, unlawful, and fraudulent business practices or use of their personal
26 information; declaratory relief; reasonable attorneys' fees and costs under California
27
28

1 Code of Civil Procedure § 1021.5; injunctive relief; and other appropriate equitable
2 relief, including public injunctive relief.

3
4 **PRAYER FOR RELIEF**

5 WHEREFORE, Plaintiff, on behalf of herself and Class Members, requests
6 judgment against Defendant and that the Court grants the following:

- 7
- 8 A. For an order certifying the Class, as defined herein, and appointing
9 Plaintiff and her Counsel to represent the Class;
- 10 B. For equitable relief enjoining Defendant from engaging in the wrongful
11 conduct complained of herein pertaining to the misuse and/or
12 disclosure of the PII of Plaintiff and Class Members, and from refusing
13 to issue prompt, complete, any accurate disclosures to Plaintiff and
14 Class Members;
- 15 C. For injunctive relief requested by Plaintiff, including but not limited to,
16 injunctive and other equitable relief as is necessary to protect the
17 interests of Plaintiff and Class Members, including but not limited to
18 an order:
19
20 i. prohibiting Defendant from engaging in the wrongful and
21 unlawful acts described herein;
22
23 ii. requiring Defendant to protect, including through encryption, all
24 data collected through the course of its business in accordance
25
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1 with all applicable regulations, industry standards, and federal,
2 state, or local laws.

3
4 iii. requiring Defendant to delete, destroy, and purge the personal
5 identifying information of Plaintiff and Class Members unless
6 Defendant can provide to the Court reasonable justification for
7 the retention and use of such information when weighed against
8 the privacy interests of Plaintiff and Class Members;

9
10 iv. requiring Defendant to implement and maintain a comprehensive
11 Information Security Program designed to protect the
12 confidentiality and integrity of the PII of Plaintiff and Class
13 Members;

14
15 v. prohibiting Defendant from maintaining the PII of Plaintiff and
16 Class Members on a cloud-based database;

17
18 Vi. requiring Defendant to engage independent third-party security
19 auditors/penetration testers as well as internal security personnel
20 to conduct testing, including simulated attacks, penetration tests,
21 and audits on Defendant's systems on a periodic basis, and
22 ordering Defendant to promptly correct any problems or issues
23 detected by such third-party security auditors;
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- vii. requiring Defendant to engage independent third-party security auditors and internal personnel to run automated security monitoring;
- viii. requiring Defendant to audit, test, and train its security personnel regarding any new or modified procedures;
- ix. requiring Defendant to segment data by, among other things, creating firewalls and access controls so that if one area of Defendant's network is compromised, hackers cannot gain access to other portions of Defendant's systems;
- x. requiring Defendant to conduct regular database scanning and securing checks;
- xi. requiring Defendant to establish an information security training program that includes at least annual information security training for all employees, with additional training to be provided as appropriate based upon the employees' respective responsibilities with handling personal identifying information, as well as protecting the personal identifying information of Plaintiff and Class Members;
- xii. requiring Defendant to conduct internal training and education routinely and continually, and on an annual basis to inform

1 internal security personnel how to identify and contain a breach
2 when it occurs and what to do in response to a breach;

3
4 xiii. requiring Defendant to implement a system of tests to assess its
5 employees' knowledge of the education programs discussed in
6 the preceding subparagraphs, as well as randomly and
7 periodically testing employees' compliance with Defendant's
8 policies, programs, and systems for protecting personal
9 identifying information;
10

11
12 xiv. requiring Defendant to implement, maintain, regularly review,
13 and revise as necessary a threat management program designed
14 to appropriately monitor Defendant's information networks for
15 threats, both internal and external, and assess whether
16 monitoring tools are appropriately configured, tested, and
17 updated;
18

19
20 xv. requiring Defendant to meaningfully educate all Class Members
21 about the threats that they face as a result of the loss of their
22 confidential PII to third parties, as well as the steps affected
23 individuals must take to protect themselves;
24

25 xvi. requiring Defendant to implement logging and monitoring
26 programs sufficient to track traffic to and from Defendant's
27
28

1 servers; and for a period of 10 years, appointing a qualified and
2 independent third-party assessor to conduct a SOC 2 Type 2
3 attestation on an annual basis to evaluate Defendant's
4 compliance with the terms of the Court's final judgment, to
5 provide such report to the Court and to counsel for the class, and
6 to report any deficiencies with compliance of the Court's final
7 judgment;
8
9

10 D. For an award of damages, including actual, statutory, nominal, and
11 consequential damages, as allowed by law in an amount to be
12 determined;
13

14 E. For an award of attorneys' fees and costs as allowed by law;
15

16 F. For prejudgment interest on all amounts awarded; and
17

18 G. Such other and further relief as this Court may deem just and proper.
19

20 **JURY TRIAL DEMANDED**

21 Plaintiff, individually and on behalf of the Class, hereby demands a trial by
22 jury on all claims so triable.
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1 Dated: May 9, 2024

By: /s/ John J. Nelson
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7 *Attorney for Plaintiff*
8 *and the Proposed Class*